Study of Employee Benefits Trends

Findings from the National Survey of Employers and Employees
Throughout the day the birch bark is transformed by the shifting light—revealing stunning new patterns. But underlying this variation is the same solid surface. This is not unlike the way that tried and trusted employee benefits can reflect changing times and diverse employee needs. Yet, like the tree, they are rooted in a deep foundation that confers ongoing stability and dependable experience.
MetLife has been tracking employee benefits since 2003

1ST ANNUAL I 2003
An increasingly diverse workforce drives greater product variety

2ND ANNUAL I 2004
Benefits satisfaction declines as employers react to cost concerns

3RD ANNUAL I 2005
Cost sharing is now the name of the game, while financial responsibility lags

4TH ANNUAL I 2006
Life stage matters, impact of longevity on the workplace and retirement

- Many employees lack an understanding of their benefits and seek financial planning services in the workplace.
- Use of eBenefits platforms grew by nearly 50% in the last 12 months.
- Employees face significant retirement shortfalls.
- Investment and insurance products gain acceptance in the workplace.
- Cost reduction is employers’ most important benefit objective.
- Cost shifting increases and employees are less satisfied with benefits.
- Voluntary benefits gain acceptance by employers and employees.
- Employees worry about outliving retirement money — but don’t plan for it.
- Workers worry — about health care, disability and retirement — but value vacation time more than savings and income protection products.
- Cost sharing is here to stay, even as company profits rebound.
- Employers cite work-life balance as a top priority but are on the fence for wellness and flex programs.
- Workers voice a strong need for benefits advice and guidance.
- Employers are pre-occupied with growing health care costs.
- Employers predict that the war for talent will intensify over the next 18 months.
- Link between benefits satisfaction and job satisfaction is recognized.
- Workers voice a strong need for benefits advice and guidance.
Retaining employees now the top objective for employers

Benefits drive loyalty more than employers realize

Aligning benefits in a challenging economy

For the first time, retaining employees is the primary objective for most employers.

Costs are increasing for both employers and employees.

More companies are now offering health & wellness programs.

Employees have fallen further behind in retirement savings.

Growing concerns about financial security lead employees to turn to their employers for help.

Employers underestimate the growing importance of benefits as a factor in employee loyalty.

Employers’ concerns about the impending retirement of the Baby Boomers begin to be felt.

Retention is still the top benefits objective for employers.

Retention and cost control remain steady as top employer objectives despite the challenging economy.

Employees value benefits more and have stronger interest in understanding them better.

Employers underestimate how much benefits are valued by employees.

Employees’ concerns about retirement issues have increased significantly.

An ongoing story—continued in the current survey—is that many employees may not be prepared for retirement and they want benefits advice and guidance from their employers.
8TH ANNUAL

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SECTION 01

Executive Summary
The findings from the 8th Annual *Study of Employee Benefits Trends* point to the apparent resilience of workplace benefits in this recession, and reveal that, as employers and employees continue to deal with the effects of the economic downturn, they are focused on the long term. Most employers have not reneged on their benefits commitments and employees continue to depend on their workplace benefits for protection and stability.

However, this year’s Study also reveals a benefits landscape that has been altered as a result of the recession experience. Employees must deal with the financial risks that were exposed when their 401(k) balances precipitously declined and their jobs became uncertain. Employers must seek ways to maintain a competitive advantage for their benefits programs in the context of greater focus on employee productivity and cost control.

Despite these challenges, employers and employees appear to be working toward a common goal: Securing financial health & wellness. Through employer-sponsored wellness programs, automatic enrollment features for retirement savings plans, voluntary benefits and protection products, employers are taking steps to help their employees act on their best intentions.

This year’s Study provides new insights that can help employers identify opportunities to realize the full potential of their benefits programs and to maximize the return on their benefits investment.
Major Findings from the Study

01

EMPLOYEE BENEFITS APPEARED RELATIVELY RESILIENT IN THIS RECESSION

Employee benefits weathered the economic storm with only relatively modest reductions. Most employers held the line on core benefits and 401(k) matching in the face of enormous bottom-line pressure. For their part, most employees maintained their benefits participation and coverages. This suggests that benefits continue to be a long-term strategic tool for addressing employer business objectives, one that can be sustained and effective in bad times as well as good.

02

EMPLOYERS ARE REPRIORITIZING THEIR BENEFITS OBJECTIVES IN RESPONSE TO THE RECESSION

Benefits objectives have shifted as a result of the economic crisis. Controlling benefits costs has risen to the top among benefits objectives for employers, overtaking employee retention, which had led since 2006. In addition, improving employee productivity, which had been growing in significance since before the crisis, has become especially important as employers look for cost efficiencies in order to realize a competitive advantage.

03

BENEFITS PROGRAMS MAY BE EFFECTIVE AT IMPROVING EMPLOYEE PRODUCTIVITY

A new finding this year is a reported link between benefits programs and employee productivity. Many employers and employees say that programs that foster health & wellness, financial advice and guidance and work-life balance can be very effective at improving productivity at work. With the growing significance of productivity as a benefits objective, the strategic use of these programs might be an important consideration. They may help to support productivity goals once the job market begins to recover and it could be harder to maintain the productivity gains reported by employers that were associated with increased employee workload during the recession.
EMployers need to balance benefits objectives to sustain future growth

Balancing objectives to help increase employee productivity and retain key employees with necessary cost constraints will be challenging as the economy improves.

Eventually the job market will become more vital once again, and a competitive benefits program will be a key tool for employers to attract and retain desirable workers. Sustaining productivity gains reported by employers and balancing benefits value with expenses will be more important than ever.

04

employees’ concerns and attitudes about their financial security are subsiding but still significant

It may be months or even years before the economic pendulum swings completely back to expansion and growth, but employees appear to feel surprisingly optimistic about the future, and have taken steps to address some of their financial inadequacies by beginning to save more and reducing personal debt.1

While the raised levels of economic concerns seen in the November 2008 study have somewhat eased, employee concerns about their financial situations are still high and employees want help from their employers.

05

new employer engagement is emerging for retirement programs, but the gap between employer actions and employee priorities persists

As the continued interest in companies implementing automatic features in defined contribution plans attests, employers are becoming more involved with their retirement programs. They are increasingly vested in ensuring that these programs will be capable of supporting workforce management goals and facilitating an orderly retirement of their oldest workers. They also report changing retirement patterns among their employees, and are modifying their views about the value of their older workers.

At the same time, employees are looking to their employers to provide more education at an earlier point, as well as more options to help them feel secure enough to retire and to minimize the risk of outliving their retirement money.
EMPLOYERS SAY THAT:

1. The importance of controlling costs has increased and is now their most important benefits objective.

2. The focus on employee retention is somewhat reduced, but is still the second most important objective despite the weak job market.

3. Employee productivity remains the third most important objective, but the steady increase in importance since 2007 continues.

4. Programs that help foster employee health & wellness and financial security are effective in improving employee productivity.

5. Active employer engagement in their qualified retirement plans is increasing and is necessary to help employees realize adequate income in retirement. There is emerging interest in automatic enrollment, automatic escalation and default annuitization in larger companies to help employees act on their intentions to save.

6. They have not increased their focus on providing financial advice, guidance and retirement education, despite employee interest, perhaps reflecting the economic pressures of the last year.

7. Voluntary benefits can cost-effectively enhance a benefits program, yet few are increasing the number offered or prioritizing this as a strategy.
EMPLOYEES SAY THAT THEY:

1. Intend to delay retirement. A full 59% of employees now plan to work past age 65.

2. Did not cut back on their benefits participation in the workplace, despite tight budgets. They value benefits as part of their financial safety net, and the workplace is the primary source for obtaining those benefits.

3. Are more satisfied with their benefits than at any time since 2007, before the recession, and they accept that they may need to pay more to get more in the new economy.

4. Feel hopeful about their short-term financial outlook, but still have significant concerns about their personal financial situations and admit that those concerns affect their workplace productivity.

5. View wellness programs as very worthwhile and connect successful participation to better health and productivity.

6. Remain very interested in having their employers provide financial advice, guidance and retirement education as they seek ways to realize predictable income for retirement.

7. Are more cautious, and have an increasing appetite for investment options that offer more safety than the potential of high returns, at least for now.

A WORD ABOUT HEALTH CARE REFORM

Just as the 8th Annual Study of Employee Benefits Trends was going to press, Congress passed landmark health care reform legislation, which President Obama signed into law. The implications and effects of this significant milestone will be a major topic of debate in the benefits community for months and maybe years to come. MetLife will be deeply involved in this discussion and will continue to track, communicate and advise on related employer and employee attitudes and issues as they evolve. But because health insurance is not necessarily health assurance, it will be important that, as employers work to respond to health care reform, they also continue to help address their employees’ needs for nonmedical benefits. The findings of the latest trends Study will prove a key resource as employers explore new benefits strategies in the year ahead.
SECTION 02

The Benefits Landscape at the Start of the Economic Recovery
Although still fragile, an economic recovery appears to be under way. As employers move into a new decade, they must assess what has changed and what is familiar in the benefits landscape.

The results of the 8th Annual Study of Employee Benefits Trends reveal a benefits landscape that, on the surface, looks similar to pre-crisis conditions. Most employers did not reduce their core benefits in response to the crisis, and they continue to regard employee benefits as very important for retaining and attracting employees.

However, on closer examination, the post-crisis landscape is different in significant ways from that of early 2008. The impact of the recession can be seen both in shifting employer priorities for benefits objectives, and in a workforce that is looking to reduce financial risk.
LAST YEAR’S STUDY REFLECTED A BACKDROP OF RISING ECONOMIC CONCERNS

The 7th Annual Study of Employee Benefits Trends was fielded in August 2008 and again in November as the gravity of the economic downturn was just being recognized. It revealed that employees’ concerns about their financial security were increasing, as was their appreciation of the benefits they received in the workplace. Measures for job insecurity, job satisfaction and loyalty to employers were also significantly higher than before the recession.

At the same time, employers continued to place employee retention ahead of cost control as their most important benefits objective. They also said that they did not plan to reduce benefits.

EMPLOYERS HAVE REPRIORITIZED THEIR TOP BENEFITS OBJECTIVES

In the aftermath of an unprecedented year, controlling health and welfare costs has emerged as employers’ top benefits objective.

* Throughout the report 2008 refers to the August data unless otherwise noted.

Employee productivity has also increased in importance as a benefits objective, bringing an increasing trend to an all-time high. This signals that employers recognize the power of benefits to drive employee productivity in their efforts to be more competitive.

Meanwhile, retention (the top benefits objective since 2006) has taken second place behind cost concerns. This is most likely a reflection of high unemployment and the static job market that has limited the mobility of employees. Nevertheless, the fact that retention still remains a top benefits objective for 47% of employers shows that they recognize the value of benefits in holding on to key employees, regardless of economic conditions.

The shift in the relative importance of cost control, retention and productivity will necessitate rethinking benefits strategies during economic recovery to help accomplish all three of these critical objectives.
DESPITE BOTTOM-LINE PRESSURES, MOST EMPLOYERS HELD THE LINE ON BENEFITS

Most employers delivered on last year’s stated intent and made relatively modest reductions in employee benefits. Particularly among large employers (more than 1,000 employees), few made changes to benefits. It appears that these employers were more likely to make salary adjustments rather than reduce benefits during the recession. This may indicate that employers recognized the strategic value of keeping their benefits programs intact.

In larger companies, minimal changes were made to benefits

REDUCING BENEFITS CAN TAKE A TOLL ON EMPLOYEE SATISFACTION

For those employers who did find it necessary to cut benefits, there was a decline in employee job satisfaction scores. Thus for those who were unable to hold the line on benefits, it appears there was a price to be paid in the potential long-term effects of benefits reductions.

Job satisfaction is lower when benefits are reduced

Where employers have reduced benefits or matching contributions or shifted costs, employees report lower satisfaction levels.
ECONOMIC RECOVERY MAY BRING NEW CHALLENGES FOR RETENTION AND PRODUCTIVITY

A stronger job market could make it more challenging for employers to achieve their objectives for cost control, increased productivity and retention. As employers did “more with less” in 2009, they reported increased employee productivity. While many employees agreed they were accomplishing more work, they may not cast that in the same positive light as their employers.

36% Employers said the economy had a positive effect on productivity.

40% Employees said their workload increased in the past 12 months.

At the same time, a stagnant job market meant that employers could perhaps relax their retention efforts. But economic recovery may revive job mobility, meaning that productivity gains associated with fear of job loss are not likely to be sustainable for the long term, and retention issues could return to the spotlight.

There are already signs employees might be looking for a change. Employee job satisfaction has declined from 59% in November 2008 to 53% in 2009. The 2009 SHRM Satisfaction Study reported that many employees could be planning to change jobs as soon as it is viable.2

As they work to achieve their goals of cost containment, employers will need to ensure that they do not inadvertently erode the employee benefits satisfaction needed to sustain a productive and engaged workforce.

EMPLOYEES VALUE BENEFITS MORE THAN EVER

Although many employees experienced adjustments in compensation, most maintained, and in some cases even increased, their benefits coverages over the preceding 12 months. This indicates that employees do not regard their benefits as discretionary expenses, especially in times of uncertainty when they are likely to take inventory of their risks.

fig. 2.4 Employees' levels of coverage

<table>
<thead>
<tr>
<th>Coverage</th>
<th>Kept the same</th>
<th>Increased</th>
<th>Reduced or dropped</th>
</tr>
</thead>
<tbody>
<tr>
<td>Life insurance</td>
<td>78%</td>
<td>16%</td>
<td>6%</td>
</tr>
<tr>
<td>Disability insurance</td>
<td>81%</td>
<td>12%</td>
<td>7%</td>
</tr>
<tr>
<td>Dental</td>
<td>84%</td>
<td>9%</td>
<td>7%</td>
</tr>
<tr>
<td>Long-term care</td>
<td>73%</td>
<td>17%</td>
<td>10%</td>
</tr>
</tbody>
</table>

Employees made few changes to insurance coverages in the past 12 months, indicating their recognition of the importance of these coverages for maintaining financial security.
EMPLEEES’ FINANCIAL SECURITY CONCERNS HAVE ABATED, BUT REMAIN HIGH
Last year the Study saw heightened employee concerns about financial security. This year, these concerns, while still very significant, have subsided to pre-recession levels or below. This abatement is accompanied by gains in employee confidence and optimism. Perhaps these results reflect the fact that many employees have taken steps for greater economic preparedness. And since this Study surveys only those who are currently employed, the results may also mirror a sense of relief at still having a job. However, employees still report high levels of concern on many significant financial measures.

fig. 2.5
Employees indicate strong concern about financial security

These findings show that employees are far from content with their financial status and may have a long way to go before they can feel financially secure, now or in retirement.

fig. 2.6
There is a strong link between benefits satisfaction and job satisfaction

Of employees very satisfied with their benefits, 81% report being very satisfied with their jobs, up from 73% last year and an all-time high. On the flip side, only 23% of employees who are very dissatisfied with their benefits report job satisfaction.
BENEFITS CONTRIBUTE TO EMPLOYEE LOYALTY (EVEN MORE THAN EMPLOYERS RECOGNIZE)

Since 2007, the Study has observed that employers and employees are out of sync when it comes to their perceptions about the extent to which benefits contribute to employee loyalty. Even in this year when employers made notable efforts to maintain benefits programs during the recession, the disconnect persists. This may indicate that employers recognize that benefits influence employee loyalty—just not how much. The employer/employee gap could represent a missed opportunity to maximize the effectiveness of benefits as a strategic business lever, particularly in the categories of nonmedical benefits and retirement benefits.

**fig. 2.7**

Employer/Employee perceptions of benefits as loyalty drivers

<table>
<thead>
<tr>
<th>Loyalty factors</th>
<th>Employers’ perception of importance of loyalty</th>
<th>Employees’ description of importance of loyalty</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salary</td>
<td>67%</td>
<td>82%</td>
</tr>
<tr>
<td>Health benefits</td>
<td>59%</td>
<td>74%</td>
</tr>
<tr>
<td><strong>Retirement benefits</strong></td>
<td><strong>43%</strong></td>
<td><strong>67%</strong></td>
</tr>
<tr>
<td>Company culture</td>
<td>55%</td>
<td>47%</td>
</tr>
<tr>
<td>Advancement opportunities</td>
<td>45%</td>
<td>55%</td>
</tr>
<tr>
<td><strong>All other benefits</strong> (dental, disability, vision, life)</td>
<td><strong>39%</strong></td>
<td><strong>65%</strong></td>
</tr>
<tr>
<td>Work-life programs</td>
<td>36%</td>
<td>53%</td>
</tr>
</tbody>
</table>

There is a disconnect between employers and employees in every category; it is largest in the perception of the importance of nonmedical benefits, such as dental, disability, vision, life and retirement benefits.

**THE LOYALTY GAP PERSISTS**

Aside from perceptions of benefits as a driver of loyalty, there is a larger loyalty gap that persists: A significant gap between employee and employer perceptions of their loyalty to each other has been a hallmark of this study for several years, and this year is no exception.

The widening gap in perceptions of employers’ sense of loyalty to their employees could eventually lead to a retention risk. Employees who feel undervalued may not be motivated to stay when a job opportunity presents itself elsewhere.

**fig. 2.8**

Not only do employers continue to overstate their perception of loyalty to employees, the gap between employer and employee perceptions actually increased in 2009.
THE BENEFITS-LOYALTY CONNECTION SUGGESTS A RETENTION OPPORTUNITY

In addition to the link between benefits satisfaction and job satisfaction there is, not surprisingly, a link between benefits satisfaction and employee loyalty. Employers should carefully consider the value of benefits as a driver of both job satisfaction and loyalty—and, potentially, retention.

fig. 2.9

THE EXPERIENCE OF ECONOMIC RECESSION AND RECOVERY MODIFIES BUSINESS IMPERATIVES

Employers face new or reprioritized challenges to control benefits costs, increase productivity and keep a watchful eye on retention. Their efforts to address these challenges must live in the context of employees’ higher expectations for benefits, as well as evidence of the continuing importance of benefits as a contributor to both job satisfaction and loyalty.
Refocusing Benefits: Insights and Strategies to Support Cost Control, Productivity and Retention
The 8th Annual *Study of Employee Benefits Trends* indicates that going forward, benefits strategies may be shaped by an increased focus on health & wellness and financial security. Helping employees act on their best intentions to save more and prepare better to face their financial risks, both now and in retirement, will be increasingly important as employers look to benefits to help address the business goals of cost control, productivity and retention. At the same time, health & wellness benefits may be increasingly important for helping to manage escalating employer health insurance costs and absence management.
Leveraging Health & Wellness Programs

While determining a concrete dollar value for the return on investment for wellness programs continues to be challenging, the 8th Annual Study of Employee Benefits Trends confirms that nearly seven out of 10 employers surveyed agree that wellness programs can be effective at reducing medical costs, up slightly from last year. With the Study reporting both higher employee participation rates and successful outcomes, the investment in health & wellness programs looks to be worthwhile.

It is noteworthy that most employers and employees are on the same page when it comes to seeing value in health & wellness programs for improving employee productivity. It stands to reason that a healthier workforce can not only help control medical and disability costs, but also decrease absences and presenteeism.

WHY HEALTH & WELLNESS PROGRAMS AND PRODUCTS ARE EFFECTIVE

Wellness programs can be good for productivity

A new finding this year: At companies that offer health & wellness programs, many employers and employees say wellness programs are effective at improving productivity—employees in particular support this sentiment.

Employers and employees state that where offered, health & wellness programs may improve productivity

48% Nearly half of all employers believe that employees who participate in their company’s wellness program say it’s very effective at improving productivity.

57% Well over half of the employees who participate in their company’s wellness programs say the programs are very effective at improving productivity.
**Wellness participation may be good for retention**

Participation in wellness programs is associated with greater employee loyalty, which potentially makes employees more likely to stay with the organization.

*fig. 3.2*

Employees who participate in wellness programs are more loyal than those who do not

Loyal employees are more likely to stay with their employer. Wellness participation is associated with greater loyalty.

*Employees who participate in wellness programs and say they are very loyal
Employees who do not participate in wellness programs and say they are very loyal*

**Participants in wellness programs report better health**

Employees who are healthier are likely to be less costly for the company medical plan, and employees who participate in health & wellness programs report better health.

*fig. 3.3*

Employees’ participation in wellness programs is associated with good health

*Employees who participated successfully (and describe own health as excellent/very good)*
- Weight loss
- Increased exercise

*Employees who did not participate (and describe own health as excellent/very good)*
- 63%
- 61%
- 52%
- 52%
There is a health-wealth connection

The Study shows that participants in wellness programs are more likely to report that they are financially healthy. Forty-eight percent of employees who participate in a wellness program say they feel in control of their finances, compared to 26% who do not participate. This connection is not surprising, as good health is associated with the opportunity to earn a living and accumulate wealth. In contrast, people with poor health are more likely to be financially insecure, and more likely to be associated with absenteeism and presenteeism. Reduced absenteeism and presenteeism can support productivity goals.

Fig. 3.4
The health-wealth connection

Employees in poor health are more likely to report financial concerns, which can, in turn, affect productivity.

Of employees who say that their health is fair or poor,

79%

also say that they have experienced one or more of the following: a decrease in job security, an increase in workload, a decrease in quality of work and/or they have been more distracted at work because of financial worries.
A healthy mouth can mean a healthy body

The Study indicates a strong connection between dental insurance coverage, dental health and medical health. Providing dental insurance, even if it is fully employee-paid, could have a positive payback for employee health.

64% of employees who say they have good or better dental health also report very good or better overall health.

83% of employees reporting excellent dental health visit a dentist every six months or more.

63% of employees with dental insurance are likely to visit a dentist every six months.

HEALTH & WELLNESS PROGRAMS MAY BE UNDER-LEVERAGED BY MANY EMPLOYERS

Sixty-nine percent of employers recognize that health & wellness programs are an effective way to reduce medical costs, yet the number of employers who offer various programs ranges from a low of 10% for financial penalties for employees who do not follow wellness guidelines, to a high of nearly 39% for Employee Assistance Programs. And for the employers who did not offer health & wellness programs last year, nearly nine out of 10 say they are unlikely to do so in the next 12 months.

There is still ample opportunity for employers to leverage health & wellness programs as they strive to improve cost control and productivity. Wellness programs with reported high success rates, such as smoking cessation and weight loss, can be inexpensive to implement.

Availability of wellness programs varies by company size or sector:

- Non-profit companies are significantly more likely to offer specific wellness programs, with 56% making them available, 33% of for-profit companies.
- Manufacturing and health care companies are also more likely to offer wellness programs.
- Larger companies with more than 1,000 employees have seen more significant growth in programs offering health insurance credits for employees who follow wellness guidelines (37% in 2009, up from 29% in 2008) and also in medical disease management programs (35% in 2009, increased from 25% in 2008).
- While smaller companies with fewer than 1,000 employees lag behind their larger counterparts, they have increased their offered programs in several areas. Almost one quarter of them now offer wellness programs and Employee Assistance Programs.
EMPLOYEES HAVE TO PLAY TO WIN

Employee participation in health & wellness programs has increased since last year. Where an employer offers wellness programs, 57% of employees now say they participate, compared to 46% in 2008. Most employees say they participate in wellness programs because they want good health (70%), but 50% also acknowledge that financial rewards are an incentive.

fig. 3.5

Participating employees report high success rates

<table>
<thead>
<tr>
<th>Program</th>
<th>Success Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Get regular checkups</td>
<td>89%</td>
</tr>
<tr>
<td>Lose weight</td>
<td>85%</td>
</tr>
<tr>
<td>Increase exercise</td>
<td>84%</td>
</tr>
<tr>
<td>Improve diet and nutrition</td>
<td>84%</td>
</tr>
<tr>
<td>Manage blood pressure</td>
<td>81%</td>
</tr>
<tr>
<td>Manage cholesterol levels</td>
<td>81%</td>
</tr>
<tr>
<td>Manage stress levels</td>
<td>81%</td>
</tr>
<tr>
<td>Lower alcohol consumption</td>
<td>78%</td>
</tr>
<tr>
<td>Stop smoking</td>
<td>63%</td>
</tr>
</tbody>
</table>

Employees who participated in wellness programs reported most success in programs that aimed to get them to lose weight, increase exercise, improve diet and nutrition and get regular checkups.

Generational attitudes to wellness programs

Wellness programs have special resonance for Gen X and Gen Y. These employees report higher success rates for participation in programs for weight loss, stress management and smoking cessation.

fig. 3.6

Gen X and Gen Y who participate in wellness programs are more likely to say wellness programs are very effective at improving their productivity at work*

Forty-three percent of all employees who have the opportunity to participate in wellness programs do not do so, and 19% of them say they are in poor health. These are the populations that employers should seek to involve if they are to improve the likelihood of cost reduction and productivity rewards for their wellness investments.

* Gen Y 1981-2000 (Note: survey only includes those who are age 21 and over)
Gen X 1965-1980
Younger Boomers 1955-1964
Older Boomers 1946-1954
THE ROLE OF ABSENCE MANAGEMENT SYSTEMS IN EMPLOYEE PRODUCTIVITY

Reduced absences and fewer disabilities are likely an outcome of a healthier workforce. Tracking employee health status and identifying sick leave trends can help employers understand the drivers that influence absenteeism and health plan costs.

48% of employers believe that an absence management system that administers leaves and coordinates health and welfare disciplines is effective at improving employee productivity.

53% of employers with at least 1,000 employees now use an integrated absence management system (usually an in-house system, not outsourced).

SUMMARY

Many employers and employees surveyed agree wellness programs can provide an effective way to improve employee productivity. Employers also report that wellness programs can reduce medical costs. Employees who participate in wellness programs are more likely to enjoy good health and financial security and be more productive.

ACTIONS AND SOLUTIONS

- Use carrots, not sticks, to motivate employee participation. Incentives such as health insurance credits and gift certificates can work.
- Focus on wellness programs with proven success rates such as weight loss and increasing exercise.
- Seek "off-the-shelf" wellness programs from local health organizations. These often require little or no monetary investment.
- Do not overlook the role of oral health in helping reduce medical costs. Consider voluntary dental programs if an employer-paid plan is not an option.
- Provide access to onsite or offsite health screenings (blood pressure, cholesterol checks and health education). Consider comp time to allow employees to access programs themselves during business hours.
- Check with health care providers to see if there are discounts available for implementing a wellness program to help offset costs.
Leveraging Programs that Foster Financial Security

This year’s Study confirms that employers and employees believe that fostering employee financial security can be a sound strategy both for maintaining long-term employee productivity and for promoting employee loyalty and retention.

Employers who offer access to financial advice and guidance, as well as affordable risk protection products, can help employees better understand and manage the economic risks they face. Employees who enjoy greater peace of mind from financial worry report that they are likely to be more productive and more loyal.

LESSONS EMERGED FROM THE RECESSION ABOUT EMPLOYEE RISKS

As a result of the economic downturn, many employees now recognize the need to take control of their finances and have made some progress toward reducing debt and ramping up savings. Government statistics show the highest personal savings rate since 2003 and declining personal debt.

54% of employees say the events of the past 12 months have made them realize they need to take more control in saving for retirement.

Despite these positive changes, financial concerns—both short- and long-term—are still high for most employees.

Employees’ short-term financial concerns remain high

- 42% of employees say they live paycheck to paycheck.
- This rises to 51% for Young Boomers.
- 28% of employees acknowledge that they sometimes have trouble paying bills.
- This is especially the case for Gen X with 41% reporting this problem.
62% of employees indicated they are concerned about having enough money to pay bills during a period of sudden income loss.

**fig. 3.8**

Employee concerns throughout the economic crisis

Although concerns have returned to pre-recession levels, they are still substantial.

Overall, only 32% of employees say that they feel in control of their finances. Even fewer Boomers feel in control (24%) perhaps because they have less time to make up their recession losses.

**MANY EMPLOYEES ARE NOT PREPARED TO WEATHER THEIR FINANCIAL RISKS**

While employees express concerns about the financial risks they face, many may not be taking the necessary steps to protect themselves. For example, they may be ill-prepared to maintain their standard of living in the event of the death or disability of the primary income earner in the family. Although risk protection products such as disability insurance, life insurance and long-term care insurance are often available as workplace benefits, employees may not recognize the value of these options or do not take advantage of the opportunity to obtain appropriate coverage levels.

The workplace is the primary place for employees to obtain life and disability coverages.

59% of employees who own disability insurance obtain it through their employers.

54% of employees who own life insurance obtain it through their employers.
EMPLOYEES MAY NOT RECOGNIZE WHEN THEY HAVE INADEQUATE INSURANCE COVERAGE

Even when employees do have disability and life insurance, they may be underinsured and do not realize it. This may be because they assume the basic coverages offered by many employers are adequate for their personal situations.

**fig. 3.9**

Many employees have less than optimal life insurance coverage and do not recognize it

Forty-two percent of employees have life insurance coverage of two times household income or less and 53% of those believe it is adequate.

**Respondents to MetLife’s *Financial Impact of Premature Death Study, 2009,* found that beneficiaries who received life insurance proceeds of at least three times household income were significantly more likely to find life insurance helpful and adequate.*5

**fig. 3.10**

Many employees may not realize they don’t have adequate disability insurance coverage

Nineteen percent of employees have disability insurance coverage levels of 50% or less and 74% of those believe it is adequate.
Women are less likely to have the recommended level of life insurance coverage than men, and are more likely to believe it is adequate. This is a concern as women now outnumber men in the workplace and many are the primary breadwinners.

EMPLOYEES MAY NEED HELP FROM EMPLOYERS IN ACHIEVING FINANCIAL SECURITY

Employees may have learned lessons from the recession but many have a lot of ground to make up and it is not clear, despite their relative confidence and good intentions, if they can get themselves onto a more solid financial foundation without help. Although 61% of employees surveyed profess confidence about their ability to make the right financial decisions, this confidence may be somewhat misplaced.

*fig. 3.11*

Employees profess confidence but may not seek professional advice

One third of employees do not consult with anyone on personal financial matters.

58% of employees would like their employer to provide access to financial planners to help them make decisions about financial needs.
WHY PROGRAMS THAT ENCOURAGE FINANCIAL SECURITY ARE EFFECTIVE

Employers are in an excellent position to support employee efforts to mitigate their financial risks and bridge the underinsured gap. By providing access to advice and guidance and decision support tools, as well as affordable income protection products, employers can help employees fully appreciate the risks they may face and the potential solutions to these situations. In return, employers may realize greater productivity from a more financially secure workforce.

Financial security is related to loyalty, which can be good for retention

Financial security has positive correlations with employee loyalty and satisfaction, which in turn help support retention objectives.

Financial security may improve productivity

Some employers and employees report the negative effects that financial concerns can have on worker productivity through absenteeism and presenteeism.

The concern is not as great for employees of smaller companies (less than 1,000 employees), where only 7% reported taking unexpected time off to deal with a financial issue.
Employers and employees agree that financial advice and guidance programs can improve productivity.

Some employers and employees acknowledge that financial advice and guidance programs are effective at improving employee productivity. In general, 37% of employees say they worry less about unexpected health and financial issues because of the benefits they receive at work.

SUMMARY

There are many reasons for employers to consider taking a consultative role in financial education to help their employees. Although 45% of employers state that financial advice and guidance programs can be effective at improving employee productivity, only 8% have actually made it a top benefits objective. It would seem that the use of financial advice and guidance programs as a productivity tool is underleveraged.

ACTIONS AND SOLUTIONS

- Provide access to Web-based financial tools (many are free) to help employees see the value of risk protection products and determine the right level of coverage for their needs, overcoming the common misperception that basic employer-provided coverage is adequate coverage.
- Contact brokers, advisors or product providers to see if they offer programs for financial education that can be tapped into.
- Think more broadly about other benefits opportunities—such as Employee Assistance Programs and pre-paid legal voluntary benefits—that can provide problem-solving resources that may help employees enjoy peace of mind and, ultimately, reduce presenteeism.
Leveraging Voluntary Benefits and Work-Life Balance

Understanding the diverse needs of a multi-generational workforce and providing benefits to satisfy them can help improve productivity and build loyalty. Voluntary benefits and programs that promote work-life balance can be strategic levers that help manage costs while still offering a competitive benefits program.

**VOLUNTARY BENEFITS CAN HELP MEET EMPLOYEES’ NEEDS WHILE MANAGING COSTS**

For some employers, providing a solid benefits program might appear to be at odds with the realities of cost control objectives. Voluntary benefits, for which employees pay all of the cost, can be a cost-effective way to enhance the overall attractiveness of the benefits offerings, especially where employer-paid options are limited.

- **57%** of employees agree that voluntary benefits give them access to options that better fit their needs.
- **60%** of employees agree that voluntary benefits provide them with additional coverage to supplement employer-sponsored benefits.

**Employees are willing to pay more in order to get more**

More than a third (35%) of employees are prepared to shoulder more of their benefits cost burden if it means they do not lose benefits that they value.

**Employees are especially willing to bear more costs if their employer reduced benefits**

- 43%
- 46%

- Employees whose employers reduced benefits in past 12 months
- Employees whose employers shifted benefits cost in past 12 months

It is noteworthy that employees’ levels of interest in voluntary benefits held steady from 2008 and were not diminished by the recession.
Voluntary benefits can provide incentive for employees to stay

Benefits are an important consideration for employees when deciding whether to remain with their current company—and many employers seem to recognize the importance of this.

**fig. 3.16**

Benefits are important for employees to stay with their employers

<table>
<thead>
<tr>
<th>Employees who say benefits are a very important reason to remain with employer</th>
<th>Employers who believe benefits are a very important reason employees remain with them</th>
</tr>
</thead>
<tbody>
<tr>
<td>43%</td>
<td>39%</td>
</tr>
</tbody>
</table>

With retention likely to grow in importance once the economy recovers, employers may need to keep their benefits program as strong and competitive as possible; voluntary benefits can be a way to fortify the program.

Convenience matters to employees when it comes to voluntary benefits

Employees indicate that the primary advantage of voluntary benefits is the convenience of payroll deduction.

**fig. 3.17**

Top five advantages of voluntary benefits for employees

- **59%** Payroll deduction is a convenient way for me to make payments
- **44%** I can sign up for insurance without going through medical exams
- **42%** It is more convenient than shopping for these products on my own
- **40%** I trust my employer to screen insurance carriers to find the best products and services
- **40%** It saves me time to buy voluntary products through the workplace
Employers might underestimate the value employees place on voluntary benefits

At the same time that employees express greater interest in voluntary benefits, the importance of voluntary benefits as a strategy has declined among employers. This could be a missed opportunity for some employers to improve benefits satisfaction, particularly when cost reduction is an important objective.

Employee attitudes and actions are not in sync when it comes to voluntary benefits

Although the Study shows that many employers believe that voluntary benefits can cost-effectively enhance a benefits program, few are increasing the number offered or prioritizing this as a strategy.

38% of employers say voluntary benefits are a very cost-effective way to meet the diverse needs of employees.

8% have prioritized their objectives and strategies for meeting those diverse needs.

12% have increased voluntary benefits in the past 12 months.

Smaller companies may have even more to gain

Smaller companies are less likely to offer voluntary benefits than larger companies. In addition, employees’ benefits satisfaction scores are lower in smaller companies (34%, as compared with 51% of larger companies). While the full gamut of voluntary products is not always available to small companies, it may still be worth exploring opportunities to add a basic offering of voluntary benefits in order to enhance employees’ benefits satisfaction, and to help ensure that employees can adequately protect themselves against future risks.

Employers offering voluntary benefits

97% of employers with ≥1000 employees offer voluntary benefits, compared to 79% of employers with <1000 employees. Small companies might have much to gain from offering more voluntary benefits since they tend to have fewer resources to support a robust employer-paid program.
THERE IS AN OPPORTUNITY TO LEVERAGE THE POWER OF WORK-LIFE BALANCE PROGRAMS

Work-life balance is not always just about flex-time and working from home. It is also about ways to free up time and make life more convenient. Creating a balance between the pressures of work and life can help increase employee productivity and loyalty. The Study shows that work-life balance programs can contribute to employee loyalty and in so doing can support a company’s retention objectives. Employers and employees also agree that work-life balance programs could help to increase employee productivity.

Work-life programs build loyalty

Work-life balance programs can influence employees’ sense of loyalty to their employers—even more than employers may recognize. Enabling employees to better balance work and life may help address employers’ retention goals.

Work-life programs can boost productivity

In addition, employers and employees both say that work-life balance programs are an effective way to increase employee productivity.

Employees appear to highly value work-life balance programs more than employers do

Employees and employers report similar conclusions when it comes to work-life balance helping to improve productivity.
Employers recognize the value of a strong work-life balance program

Employers seem to have caught on to the importance of work-life balance programs, noting it as a top benefits strategy for the past three years.

fig. 3.21

Employers naming work-life balance programs as a very important benefits strategy

Providing work-life balance programs is a consistently important strategy for over half of employers year after year.

Employees seem to validate that strategy, reporting work-life balance as an influence on both their loyalty and productivity.

fig. 3.22

Perception of work-life balance programs as driver of loyalty

Work-life balance resonates more strongly for Gen X and Gen Y than for Boomers, with both Gen X and Gen Y placing more importance on having enough time to spend with family.
Perception of work-life balance programs as a driver of productivity

Gen X and Gen Y are more likely to recognize the value of work-life balance programs.

37% All employees
47% Gen X
45% Gen Y

SUMMARY

Voluntary benefits and work-life balance programs—with substantial overlap between the two—could have a significant role to play in helping employers build employee loyalty and maintain employee productivity.

Voluntary benefits can help satisfy the diverse needs of today’s workforce and strengthen the competitiveness of the benefits program in the event of budget constraints for employer-paid options. Benefits such as auto insurance, homeowners insurance and vision insurance—when offered through the workplace—can mean much appreciated convenience and time savings for busy employees.

ACTIONS AND SOLUTIONS

Voluntary Benefits
- Give employees the option to pay more of their benefits costs rather than lose the benefits.
- Offer life and disability supplemental or buy-up options that enable employees to get adequate amounts of coverage.
- Target voluntary programs that resonate deeply with employees’ personal life situations—such as pet insurance, long-term care, vision coverage, legal services or auto loans as a way to cost-effectively satisfy the diverse needs of employees.

Work-Life Balance
- Negotiate with local businesses and organizations for discounts on local services, such as daycare facilities, dry cleaning, movies and restaurants.
- Consider offerings that are high-value time savers for employees with a “to do” list lifestyle, such as workplace-facilitated auto and home insurance coverage and legal services.
- Recognize that Gen X workers are in the prime of their “family-raising” years and that workplaces that acknowledge the challenges of juggling family and career can generate on-the-job engagement and loyalty from this group.
The 8th Annual *Study of Employee Benefits Trends* shows that good benefits communications in the workplace may lead to employees’ greater appreciation, participation and usage of benefits. Indeed, the reported advantages associated with effective benefits communications seem to be significant. Therefore, employers of any size might consider efforts to upgrade their communications.

**EFFECTIVE BENEFITS COMMUNICATIONS CAN IMPROVE THE OVERALL EFFECTIVENESS OF MOST BENEFITS PROGRAMS**

There is a strong correlation between employees’ perception of effective benefits communications and their opinions about their employers and their benefits programs.

**Effective benefits communications—communications that clearly explain and reinforce the relevance and value of benefits to each employee in his or her preferred medium—will likely increase the return on many benefits investments.**
EFFECTIVE COMMUNICATIONS CAN INCREASE HEALTH & WELLNESS PARTICIPATION

When employers offer health & wellness programs, how employees learn about program opportunities has a big impact on their involvement.

Fig. 3.25
Link between effective communications and wellness participation rates

![Graph showing the link between effective communications and wellness participation rates.](image)

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EFFECTIVE COMMUNICATIONS CAN CONTRIBUTE TO A SENSE OF FINANCIAL SECURITY

Communication and education contribute to helping employees effectively use income protection coverages to manage their financial risks. In general, financial advice and guidance that help employees better understand the benefits products and programs offered at work can aid in managing their risks and ultimately, could have a positive effect on employee productivity.

Fig. 3.26
Link between effective communications and financial confidence

![Graph showing the link between effective communications and financial confidence.](image)
As with all benefits communications, when voluntary benefits are offered, employees may be more likely to engage if they:
- Appreciate what protection benefits can do for them
- Understand guidelines for coverage
- Have access to decision support tools to help see relevance

For example, when employees feel their benefits communications effectively educate them so they can select the options that best meet their needs, they are more likely to increase their life insurance coverage.

**Fig. 3.27**
Employees who increased their life insurance coverage in the past 12 months

- Employees who strongly feel communications effectively educate about benefits: 34%
- Employees who feel communications are ineffective at educating about benefits: 9%

**EFFECTIVE COMMUNICATIONS CAN ENCOURAGE USE OF VOLUNTARY BENEFITS**

There appears to be a link between effective communications and voluntary benefits. When employees feel their company communications effectively educate them about benefits, they signal greater interest in choosing to purchase and pay for voluntary benefits on their own.

**Fig. 3.28**
Link between effective communications and voluntary benefits

- Employees who feel communications are ineffective at educating about benefits: 34%
- Employees who strongly feel communications effectively educate about benefits: 65%
WITH COMMUNICATIONS, THERE IS PLENTY OF ROOM FOR IMPROVEMENT

Both employers and employees agree that there is significant opportunity to make benefits communications more effective. Employers and employees recognize that there has been little progress on improving the effectiveness of benefits communications since 2007. Only a third believe they are effective.

![Employer/Employee perceptions of communications effectiveness](image)

**SUMMARY**

Improving benefits communications is not necessarily a question of spending more money; a focus on the employee communication experience can often reveal ways to better leverage current communication materials and channels. The cost of improving benefits communications can be pennies on the dollar spent on the benefits themselves—pennies that can significantly increase the return on benefits investment.

**ACTIONS AND SOLUTIONS**

- Include both “push strategies” (i.e., emails, benefits seminars) and “pull strategies” that enable employees to access information on their own terms (Web enrollment, 24/7 telephone access).
- Examine where face-to-face communication efforts are still working and where they no longer suit employee or employer preferences. Consider relative preferences of Boomers or Gen Y.
- Conduct formal and informal polling of employees to assess whether awareness and understanding of specific benefits has penetrated the workforce.
Supporting Employees in Their Efforts to Attain a Secure Retirement
Recent economic turbulence has highlighted the fact that many employees face significant financial risks regarding adequate income for their retirement. Factors such as uncertain investment returns, longstanding inadequate savings rates and the challenge of planning over a long time horizon combine to make it difficult for many employees to manage having an adequate income after retirement, as well as the risk of outliving the ability of their retirement assets to generate an income for a long enough time period.

In light of these complexities, and against a background of continued public policy debate and proposed legislation, interest in programs and strategies to make it easier for workers to act on their best intentions for planning for lifetime security is emerging among employers. Some employers, with defined contribution plans, are recognizing the importance of “re-branding” their plans, from “savings vehicles” to the “retirement programs” they need to become.

Results from this year’s Study provide fresh insights into how this greater involvement, seen by some as an emerging “new engagement,” is being implemented by companies of varying sizes, and how it is perceived by employees.
EMPLOYERS CAN HELP DRIVE EMPLOYEE 401(K) PARTICIPATION AND CONTRIBUTION RATES

With defined contribution plans now the primary workplace retirement vehicle, more employees find themselves responsible for managing their own investment and risk strategies for their retirement planning — tasks that in defined benefit plans are managed by experts. Many are not prepared for this challenge. The effect of stock market fluctuations on defined contribution plan balances has only added to concerns about the ability of these vehicles to support a secure retirement for many employers and employees.

Against a background of legislative and regulatory activity designed to help employers address the situation, some plan sponsors are recognizing the potential importance of their role in helping employees get the most from their 401(k) plans. Employees, for their part, welcome this greater employer involvement.

Employees have taken steps in the right direction

For many employees, the recession may have awakened them to the risks they could face in retirement. Fifty-four percent say that the financial situation of the past 12 months made them realize that they need to take more control in saving for their retirement, up from 46% in November 2008.

Fig. 4.1

Employees take positive steps toward retirement readiness

- Employees who say they have a formal retirement plan: 39% in 2008, 47% in 2009
- Employees who say they have not yet started saving for retirement: 15% in 2008, 11% in 2009
- Employees who say, “I am confident in my ability to make good decisions about how to manage my money in my 401(k) plan”: 36% in 2008, 42% in 2009

In this year’s Study, employees say that during the last 12 months they have taken some steps in the right direction toward greater retirement security.
Employees are still behind with savings and concerned about their retirement readiness

Despite their professed confidence, more than half of employees surveyed say they are behind in saving for retirement compared with where they had hoped to be. Overall, barely a quarter of employees say they are on track. Essentially this is the same story as in 2006. There has not been much progress.

**fig. 4.2**
How employees describe the current progress of their retirement savings

While economic concerns have subsided somewhat for many employees, they are still stressed about their lack of preparedness for retirement—not only in terms of inadequate savings but also their ability to pay for health care in retirement, outliving their retirement money and having to work in retirement.
Concerns span financial status and household income

Those with annual household incomes of $40,000 or less report higher levels of concern about their present and future financial security. However, when compared with households with annual incomes of $75,000 or more, the differences are not as great as might be expected. A closer view illustrates the point that financial insecurity is apparent across the income spectrum.

Financial concerns by income bracket

<table>
<thead>
<tr>
<th>Category</th>
<th>&lt;$40K</th>
<th>$40K-$75K</th>
<th>&gt;$75K</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very concerned about having enough money to make ends meet</td>
<td>76%</td>
<td>57%</td>
<td>48%</td>
</tr>
<tr>
<td>Highly concerned about outliving retirement money</td>
<td>61%</td>
<td>54%</td>
<td>51%</td>
</tr>
<tr>
<td>I live paycheck to paycheck</td>
<td>63%</td>
<td>48%</td>
<td>37%</td>
</tr>
<tr>
<td>Behind schedule on saving for retirement</td>
<td>41%</td>
<td>57%</td>
<td>54%</td>
</tr>
<tr>
<td>Achieved/On track to achieve retirement savings goals</td>
<td>40%</td>
<td>33%</td>
<td>46%</td>
</tr>
<tr>
<td>Very confident in my ability to make good decisions about how to manage the money in my 401(k) plan</td>
<td>20%</td>
<td>10%</td>
<td>10%</td>
</tr>
</tbody>
</table>
Employees want help from their employers
There has been a shift in recent years toward greater employee personal responsibility for retirement security. The recession may have increased employees’ recognition of the value of their workplace benefits at the same time as media attention highlighted concerns about the adequacy of Social Security in the future. As a result, employees continue to depend on their workplace benefits and to look to their employers for help.

38% of employees feel strongly that their employer has a responsibility to help them understand how to lessen the impact of market fluctuations/volatility on their 401(k) plans.

401(k) automatic features help employees help themselves
Employers appear to be hearing this call for help. Thirty-nine percent strongly agree that they do indeed have a responsibility to help employees understand how to lessen the impact of market fluctuations/volatility on their 401(k) plans.

Consistent with this, there is continuing interest on the part of plan sponsors for implementing automatic features for plan enrollment, automatic escalation of the deferred salary amounts, and an emerging interest in the ability to offer a default annuitization at retirement.

Automatic enrollment and automatic escalation of deferred salary amounts offer ways to encourage plan participation and increase contribution rates for those who might otherwise choose not to enroll. Across all plan automatic features, larger companies (with more than 1,000 employees) are more likely to have adopted them than those with fewer than 1,000 employees.

**fig. 4.4**

Automatic features provided by employers

<table>
<thead>
<tr>
<th>Automatic enrollment of all employees</th>
<th>Automatic enrollment of new employees</th>
<th>Automatic escalation—the automatic increase in employee contributions*</th>
</tr>
</thead>
<tbody>
<tr>
<td>31%</td>
<td>41%</td>
<td>28%</td>
</tr>
</tbody>
</table>

* The Study reported on automatic enrollment for the first time in 2008 and continues to track its adoption in 2009. Automatic escalation was surveyed for the first time this year.
Default annuitization
Forty-three percent of all companies surveyed said that they are interested in a default option for converting a percentage of the 401(k) plan into a guaranteed stream of income. This interest is being driven by very large companies (with more than 10,000 employees).

It is noteworthy that when compared to companies that offer only a defined contribution plan, companies that offer both a defined benefit and a defined contribution plan are more likely to have adopted automatic enrollment for new and all employees and automatic escalation regardless of company size. These companies are also more interested in the default annuitization option than are companies that offer only a defined contribution plan.

EMPLOYERS AND EMPLOYEES STILL NOT IN SYNC ABOUT RETIREMENT EDUCATION IN THE WORKPLACE
When it comes to helping employees gain a realistic view of the costs associated with retirement and what it will take to build an appropriate nest egg, the need for education and advice and guidance continues to be important.

Many employees are clear about their interest in having their employers provide access to retirement education. But the Study suggests that at this time, this interest remains greater than the number of employers offering the program.

42% of employees say they are very interested in their employer providing access to retirement planning seminars.

41% would like access to financial planners to help make decisions about how to invest their 401(k) money.

Interest is not just limited to older employees who are closer to retirement.

Employees’ interest in retirement education — more and earlier

Gen Y and Gen X are more interested than Boomers in retirement planning seminars.
Employees voice a clear message about receiving retirement education. However:

- **35%** of employers report that they currently offer retirement planning seminars.
- **8%** of those who currently do not offer them say that they plan to do so in the next 12 months.
- **27%** of employers strongly agree that their company is committed to helping employees adjust their retirement planning to current economic realities with appropriate products, services and tools.

Retirement planning seminars are not only valuable for employees, but can also be advantageous to employers by helping to create greater benefits satisfaction.

- **62%** of the employees who have financial planning services through their workplace are very satisfied with the benefits they receive through their employer.

**EMPLOYEES APPEAR TO VALUE PROTECTION AND STABILITY**

Stock market volatility throughout 2008 and 2009 caused some employees to place greater value on protection and stability.

**Fig. 4.6**

Employees are hungry for low risk investments and savings products with predictable returns.

- **30%** Employees who prefer a higher degree of risk because the returns could be greater.
- **70%** Employees who prefer guarantees that offer stable but somewhat lower returns.
42% of employees say the financial situation of the past few months made them realize that they need to shift some of their retirement savings to investments that have a guaranteed rate of return.

This interest in protection and stability, if sustained, is likely to be reflected both as employees save for retirement and after they retire—perhaps pointing to a growing role for stable value options during working years and to annuitization options in retirement.

Employees appear to have a stronger appetite for annuities than employers realize
As noted in last year’s Study, employees claim more interest in annuities than perhaps employers appreciate; an interest that still appears to exceed that expressed by their employers.

A disconnect between employer and employee interest in annuities

Despite the disparity in current levels of interest, most employers who don’t already offer annuities as a distribution option from their defined contribution plan say that they are open to the possibility (51%), while only a minority (20%) say that they are not interested.

The business impact of the recession could have monopolized employer energies for the past 12 months. This may explain why employers do not appear to have yet acted on employee signals for advice and guidance and for guaranteed income features such as annuity distributions. As recovery proceeds, employers have an opportunity to do more to implement these important elements in helping employees manage their 401(k) plans in a way that is more likely to lead to retirement security.
EMPLOYERS WITH BOTH A DEFINED BENEFIT PLAN AND A DEFINED CONTRIBUTION PLAN APPEAR TO DEMONSTRATE A MORE HOLISTIC USE OF THEIR RETIREMENT BENEFITS TO DRIVE BUSINESS OBJECTIVES

The Study suggests that employers who offer both a defined benefit plan and a defined contribution plan are more likely to strategically reposition their 401(k) plans toward retirement programs than those who offer a defined contribution plan only.

Employers with both types of plans are more likely to:
- Implement automatic enrollment in their 401(k) plans
- Provide retirement education for employees
- Offer annuities as a distribution option from their defined contribution plan

It is important to note that these attributes for employers with both defined benefit and defined contribution plans are seen regardless of company size.

MORE EMPLOYERS EXPECT OLDER WORKERS TO DELAY RETIREMENT, AND MOST WELCOME THE TREND

In November 2008, 49% of employers expected their older workers to delay retirement plans as a result of economic conditions. By 2009 this had swelled to 64%. It is an across-the-board response—with 69% of employers in larger companies (>1,000 employees) only slightly more likely than the 61% of those in smaller companies (<1,000 employees) to anticipate this trend of older workers delaying retirement plans.

Employers expect older workers to delay retirement plans

And, two thirds (65%) of employers who expect older workers to delay retirement believe it will be beneficial for their organization.

Employers have been, and continue to be, concerned about the consequences of the much discussed Boomer “brain drain.” Those that anticipate their older workers staying longer in the workforce are positive about retaining the talent and experience of their older workers. And this attitude is true for both larger and smaller companies.
Although conventional wisdom has been that older workers are less productive than their younger colleagues and are more costly for the benefits program, the Study shows employers have a more nuanced, and positive, outlook.

This year’s Study asked employers if they were concerned that older employees might be associated with higher benefits costs or reduced productivity.

- Only 29% are very concerned about higher benefits costs.
- Cost concerns are slightly higher for larger employers (34%) and for those with both defined benefit and defined contribution plans (35%).
- About one third of employers strongly disagree that older workers are less productive.

Consistent findings emerge from the 2009 study Emerging Retirement Model: A Study of Plan Sponsors from MetLife, where results indicate that most employers view their most experienced workers as very productive. In that study:

74% of employers were concerned about a knowledge drain as older workers retire.

62% of those employers across all industries believed that retirement of their older workers has a moderate to major negative impact on their organization’s productivity.

This indicates that attitudes toward older workers may be changing. Overall most employers believe that their organization has much more to gain than to lose if their older workers stay in place a while longer.

EMPLOYEES HAVE SIMILAR EXPECTATIONS ABOUT PLANS TO WORK LONGER

Fifty-nine percent of employees surveyed now say they plan to work past age 65, up from 53% a year ago.

fig. 4.9

Retirement plans are on hold as more employees expect to work past age 65
Younger Boomers have made the biggest change to their plans with 60% saying that they now expect to work past age 65, compared with 49% who thought this a year ago.

**SUMMARY**

The issues surrounding retirement programs are interrelated and complex. As employers spend more time and money on their qualified retirement programs, they are increasingly vested in ensuring that these investments will have the desired outcomes—orderly workforce management and facilitating retirement for their workers. In doing this, they will likely need to balance these goals with other economic imperatives as they rebuild after the recession. Employees are looking to their employers to provide education and distribution options that could help them feel secure enough to retire, and to minimize the risk of outliving their retirement money.

**ACTIONS AND SOLUTIONS**

- Do not assume that retirement planning is for older workers only. Gen X and Gen Y are also interested in retirement planning.
- Consider implementing automatic enrollment and escalation programs to help overcome employee savings inertia.
- Income annuities may offer a powerful addition to conventional asset allocation and distribution approaches by providing the means to convert accumulated wealth into a predictable income stream.
- Retirement calculators and scenario planning tools are ways an employer can help employees realistically assess their potential retirement costs and needs.
- Communicate the benefits for the company 401(k) plan, e.g., employer matching contributions and tax advantages, in straightforward language.
- Investigate opportunities to help Older Boomers follow through on their desire to stay in the workforce longer with phased retirement and return-to-work programs.
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p. 16 Job satisfaction has declined since last year (53% in 2009 vs. 59% in Nov. 2008).
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EMPLOYEES VALUE BENEFITS MORE THAN EVER

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HEALTH & WELLNESS

p. 22 Forty-eight percent of employers who offer wellness programs agree they are effective in improving employee productivity. Fifty-seven percent of employees who participate in wellness programs also say this (especially Gen X and Gen Y).
p. 23 Wellness participation is associated with greater employee loyalty.
p. 23 Employees who participate in wellness programs report better health than those who elect not to.
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p. 25 Employers agree that health & wellness programs can be effective at reducing medical costs (69%).
p. 26 Employees report successful achievement of goals in wellness programs for losing weight, increasing exercise, improving diet and getting regular checkups.
p. 27 Forty-eight percent of employers believe that an absence management system that administers leaves and coordinates health and welfare disciplines is effective at improving employee productivity.
Financial Security

Employee levels of concern about their financial security have abated but are still high. They have not saved enough and worry about making ends meet.

Many employees do not take advantage of risk protection products (life/disability insurance) and they may not recognize when they have inadequate coverage.

Employees are motivated to improve their financial health, but 31% do not consult with anyone for advice and guidance on personal financial matters. Fifty-eight percent want help from their employers with financial planning.

Employees who are financially secure are more likely to be loyal and productive.

Financial insecurity is associated with absenteeism and presenteeism.

Voluntary Benefits

Thirty-five percent of employees say that they would rather pay more of their benefits costs than lose the benefits.

Forty percent of employees would like their employers to provide a wider array of voluntary benefits.

Employers recognize that voluntary benefits are a cost-effective way to meet employee diverse needs (38%)—but only 12% increased the number of voluntary benefits in the last 12 months.

Work-Life Balance

Work-life balance programs contribute to employee loyalty. Employers underestimate this.

Employees (56%) and employers (61%) say that work-life balance is an effective way to improve productivity.

Benefits Communications

Employees who say that their benefits communications are very effective are more likely to say that they are loyal, satisfied with their job and satisfied with their benefits.

Effective communications are associated with reduced financial concerns and greater confidence in financial decision-making.

Retirement

Since 2008, employees have taken steps toward greater retirement security. They recognize the need to take more control (54% vs. 46%); more have a formal retirement plan (47% vs. 39%); most stayed with their 401(k) contributions during the economic crisis.

Employees have not made enough progress in saving for retirement; 52% are behind where they hoped to be compared with 47% in 2007.

Employers (mostly larger companies) show signs of greater engagement in helping employees to save more in their 401(k) savings and to realize a predictable income in retirement. There is a continuing interest in programs such as automatic enrollment and automatic escalation, and an emerging interest in default annuitization.

There is a continuing gap between employers’ and employees’ interest in employers providing retirement education and also annuities as a distribution option.

Employees expect to delay retirement; 59% now plan to work past age 65 vs. 53% a year ago. Employers welcome this development.
### Methodology

**Employer Size (Staff Size)**

<table>
<thead>
<tr>
<th>Size</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>2–9</td>
<td>20%</td>
</tr>
<tr>
<td>10–49</td>
<td>20%</td>
</tr>
<tr>
<td>50–199</td>
<td>18%</td>
</tr>
<tr>
<td>200–499</td>
<td>4%</td>
</tr>
<tr>
<td>500–999</td>
<td>5%</td>
</tr>
<tr>
<td>1,000–4,999</td>
<td>13%</td>
</tr>
<tr>
<td>5,000–9,999</td>
<td>10%</td>
</tr>
<tr>
<td>10,000+</td>
<td>10%</td>
</tr>
</tbody>
</table>

**Industry**

<table>
<thead>
<tr>
<th>Industry</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Services</td>
<td>33%</td>
</tr>
<tr>
<td>Heavy Industry</td>
<td>20%</td>
</tr>
<tr>
<td>Sales/Trade</td>
<td>12%</td>
</tr>
<tr>
<td>Finance, Insurance and Real Estate</td>
<td>11%</td>
</tr>
<tr>
<td>Health Care and Social Assistance</td>
<td>10%</td>
</tr>
<tr>
<td>Educational Services</td>
<td>5%</td>
</tr>
<tr>
<td>Public Administration</td>
<td>4%</td>
</tr>
<tr>
<td>Accommodation and Food Services</td>
<td>3%</td>
</tr>
<tr>
<td>Arts, Entertainment and Recreation</td>
<td>2%</td>
</tr>
</tbody>
</table>

**Ethnic Background**

<table>
<thead>
<tr>
<th>Ethnic Background</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Caucasian</td>
<td>71%</td>
</tr>
<tr>
<td>Hispanic</td>
<td>13%</td>
</tr>
<tr>
<td>African-American</td>
<td>11%</td>
</tr>
<tr>
<td>Asian</td>
<td>5%</td>
</tr>
</tbody>
</table>

**Family Status**

<table>
<thead>
<tr>
<th>Status</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Do not have children under 18</td>
<td>57%</td>
</tr>
<tr>
<td>Have children under 18</td>
<td>43%</td>
</tr>
</tbody>
</table>

**Gender**

<table>
<thead>
<tr>
<th>Gender</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>55%</td>
</tr>
<tr>
<td>Female</td>
<td>45%</td>
</tr>
</tbody>
</table>

**Marital Status**

<table>
<thead>
<tr>
<th>Status</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Married</td>
<td>63%</td>
</tr>
<tr>
<td>Single</td>
<td>15%</td>
</tr>
<tr>
<td>Divorced/Separated</td>
<td>12%</td>
</tr>
<tr>
<td>Domestic Partnership</td>
<td>8%</td>
</tr>
<tr>
<td>Widowed</td>
<td>2%</td>
</tr>
</tbody>
</table>

**Geography**

<table>
<thead>
<tr>
<th>Region</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>South</td>
<td>32%</td>
</tr>
<tr>
<td>West</td>
<td>24%</td>
</tr>
<tr>
<td>Midwest</td>
<td>22%</td>
</tr>
<tr>
<td>Northeast</td>
<td>22%</td>
</tr>
</tbody>
</table>

**Age**

<table>
<thead>
<tr>
<th>Age</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>21–30</td>
<td>19%</td>
</tr>
<tr>
<td>31–40</td>
<td>25%</td>
</tr>
<tr>
<td>41–50</td>
<td>27%</td>
</tr>
<tr>
<td>51–60</td>
<td>22%</td>
</tr>
<tr>
<td>61 and over</td>
<td>7%</td>
</tr>
</tbody>
</table>

**Household Income**

<table>
<thead>
<tr>
<th>Income Range</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under $30,000</td>
<td>9%</td>
</tr>
<tr>
<td>$30,000 to $49,999</td>
<td>9%</td>
</tr>
<tr>
<td>$50,000 to $74,999</td>
<td>29%</td>
</tr>
<tr>
<td>$75,000 to $99,999</td>
<td>18%</td>
</tr>
<tr>
<td>$100,000 to $149,999</td>
<td>23%</td>
</tr>
<tr>
<td>$150,000 and over</td>
<td>12%</td>
</tr>
</tbody>
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**Industry**

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The 8th Annual MetLife Study of Employee Benefits Trends was conducted during the fourth quarter of 2009 and consisted of two distinct studies fielded by GfK Custom Research North America. The employer survey comprised 1,503 interviews with benefits decision-makers at companies with staff sizes of at least two employees. The employee sample comprised 1,305 interviews with full-time employees age 21 and over, at companies with a minimum of two employees.

GfK Custom Research North America is part of the GfK Group, one of the world’s largest and most prestigious market research organizations, operating in more than 100 countries. Headquartered in New York City, with 10 offices in the U.S., GfK Custom Research North America provides full-service market research and consulting services in the areas of Customer Loyalty, Product Development, Brand & Communications, Channels, Thought Leadership, Innovation, and Public Affairs. GfK Custom Research North America has an entire business unit dedicated to Financial Services Research, but serves a wide range of other industries as well. For more information, contact Roy Baldassari, Sr. V.P., Financial Services, or visit www.gfkamerica.com.

ENDNOTES


About MetLife

MetLife has a proud tradition of investing in the financial and social well-being of the communities we serve. For more than 140 years, we have focused on understanding and serving our customers through various life stages and economic cycles. MetLife builds on this tradition by delivering leading insights through nationally acclaimed research, subject matter experts and educational resources. We serve as a leading voice on employee benefits issues by actively influencing public policy, educating the media, and developing intelligent product solutions. When you’re aligned with a company that applies insights to deliver innovative solutions, you can be certain things will go right.

For additional information about the 8th Annual MetLife Study of Employee Benefits Trends, please visit metlife.com/trends1 or contact Neil E. Marcus, Assistant Vice President, U.S. Business, Marketing Research, at 212 578-7713 or nmarcus@metlife.com.
8TH ANNUAL

Study of Employee Benefits Trends

Findings from the National Survey of Employers and Employees